

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

E-02044A
Dixie Escalante Rural Electric Association, Inc.
71 E Highway 56
Beryl, UT 84714

RECEIVED
APR 15 2011
ACC UTILITIES DIRECTOR

ANNUAL REPORT
Electric

FOR YEAR ENDING

12	31	2010
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FOR COMMISSION USE

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4-19-11

4-19-11

COMPANY INFORMATION

Company Name (Business Name) Dixie Escalante REA Inc.

Mailing Address 71 E HWY 56
(Street)

Beryl UT 84714
(City) (State) (Zip)

435-439-5311 435-439-5352
Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address _____

Local Office Mailing Address Same
(Street)

(City) (State) (Zip)

Local Office Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

☐ **Regulatory Contact:**

☐ **Management Contact:** LaDel Laub CEO
(Name) (Title)

Same
(Street) (City) (State) (Zip)

Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address ladell@dixiepower.com

On Site Manager: Chery Hulet
(Name)

Same
(Street) (City) (State) (Zip)

Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address cheryh@dixiepower.com

Statutory Agent: Dan Reber			
(Name)			
Littlefield Drive, PO Box 109	Littlefield	AZ	86432
(Street)	(City)	(State)	(Zip)
435-673-3297	435-673-3315		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Attorney: Aaron Randall of Hughes, Thompson, Randall & Mellen LLC			
(Name)			
187 N 100 W	St George	UT	84770
(Street)	(City)	(State)	(Zip)
435-673-4892	435-673-2774		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Email Address			

OWNERSHIP INFORMATION

Check the following box that applies to your company:

<input type="checkbox"/> Sole Proprietor (S)	<input type="checkbox"/> C Corporation (C) (Other than Association/Co-op)
<input type="checkbox"/> Partnership (P)	<input type="checkbox"/> Subchapter S Corporation (Z)
<input type="checkbox"/> Bankruptcy (B)	<input checked="" type="checkbox"/> Association/Co-op (A)
<input type="checkbox"/> Receivership (R)	<input type="checkbox"/> Limited Liability Company
<input type="checkbox"/> Other (Describe) _____	

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

<input type="checkbox"/> APACHE	<input type="checkbox"/> COCHISE	<input type="checkbox"/> COCONINO
<input type="checkbox"/> GILA	<input type="checkbox"/> GRAHAM	<input type="checkbox"/> GREENLEE
<input type="checkbox"/> LA PAZ	<input type="checkbox"/> MARICOPA	<input checked="" type="checkbox"/> MOHAVE
<input type="checkbox"/> NAVAJO	<input type="checkbox"/> PIMA	<input type="checkbox"/> PINAL
<input type="checkbox"/> SANTA CRUZ	<input type="checkbox"/> YAVAPAI	<input type="checkbox"/> YUMA
<input type="checkbox"/> STATEWIDE		

SERVICES AUTHORIZED TO PROVIDE

Check the following box/es for the services that you are authorized to provide:

- ☒ **Electric**
- ☐ Investor Owned Electric
- ☒ Rural Electric Cooperative
- ☐ Utility Distribution Company
- ☐ Electric Service Provider
- ☐ Transmission Service Provider
- ☐ Meter Service Provider
- ☐ Meter Reading Service Provider
- ☐ Billing and Collection
- ☐ Ancillary Services
- ☐ Generation Provider
- ☐ Aggregator/Broker

☐ **Other (Specify)**

STATISTICAL INFORMATION

	AZ	TOTAL	
Total number of customers	2,212	14,722	
Residential	1,857	12,861	
Commercial	338	1,547	
Industrial	0	2	
Public Street and Highway lighting	5	113	
Irrigation	12	199	
Resale			
Total kilowatt-hours sold	30,608,018	372,649,352	kWh
Residential	22,017,950	210,967,566	
Commercial	7,122,631	92,859,809	
Industrial	0	37,168,377	
Public Street and Highway lighting	81,289	1,577,141	
Irrigation	1,386,148	30,076,459	
Resale			
Maximum Peak Load		102,918	MW

COMPANY NAME: DIXIE ESCALANTE REA INC.

UTILITY SHUTOFFS / DISCONNECTS

		AZ		TOTAL	
MONTH		Termination without Notice R14-2-211.B	Termination with Notice R14-2-211		OTHER
JANUARY			421		
FEBRUARY			939		
MARCH			729		
APRIL			765		
MAY			846		
JUNE			1052		
JULY			651		
AUGUST			1464		
SEPTEMBER			977		
OCTOBER			15115		
NOVEMBER			1375		
DECEMBER			358		
TOTALS →			105692		

OTHER (description):

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

RECEIVED
APR 15 2011
ACCUTILITIES DIRECTOR

VERIFICATION

STATE OF AZ

I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME)	Mohave
NAME (OWNER OR OFFICIAL) TITLE	Dane Johnson, Controller
COMPANY NAME	Dixie Escalante REA Inc

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2010

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2010 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 1,897,107

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 117,933
IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST
INCLUDE SALES TAXES BILLED OR
COLLECTED. IF FOR ANY OTHER REASON,
THE REVENUE REPORTED ABOVE DOES NOT
AGREE WITH TOTAL OPERATING REVENUES
ELSEWHERE REPORTED, ATTACH THOSE
STATEMENTS THAT RECONCILE THE
DIFFERENCE. (EXPLAIN IN DETAIL)**

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 13th DAY OF
(SEAL)

MY COMMISSION EXPIRES 1/15/14

Dane Johnson
SIGNATURE OF OWNER OR OFFICIAL
47 435 439 5311
TELEPHONE NUMBER

STATE: UTAH

COUNTY NAME	<u>Iron</u>	
MONTH	<u>April</u>	<u>20 11</u>

Jessica Christensen
SIGNATURE OF NOTARY PUBLIC
Notary Public
Jessica Christensen
Commission # 181217
Newcastle, Utah 84736
My Commission Expires
January 15, 2014
State of Utah

VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY

RECEIVED
APR 27 2011
ACC UTILITIES DIRECTOR

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)	Mohave	
NAME (OWNER OR OFFICIAL)	Dane Johnson	TITLE Controller
COMPANY NAME	Dixie Escalante REA Inc	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2010

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2010 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 1,316,713

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 81,853
IN SALES TAXES BILLED, OR COLLECTED

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

13th

DAY OF

(SEAL)

MY COMMISSION EXPIRES

1/15/14

SIGNATURE OF OWNER OR OFFICIAL

TELEPHONE NUMBER

STATE: UTAH

NOTARY PUBLIC NAME

Jessica Christensen

COUNTY NAME

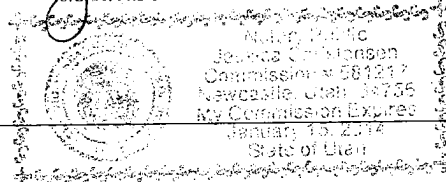
Iron

MONTH

April

2011

SIGNATURE OF NOTARY PUBLIC



FINANCIAL INFORMATION

Attach to this annual report a copy of the Company year-end (Calendar Year 2010) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**

Pertinent numbers broken out for Arizona operations based on prior years' reports

	AZ	TOTAL
Balance Sheet Information		
Utility Plant in Service	\$3,450,150	\$53,842,555
Accumulated Depr	\$1,122,295	\$18,670,665
Net Utility Plant	\$2,327,855	\$35,171,890
Construction Work in Progress	\$4,050,983	\$13,129,589
Retirement Work in Progress	(\$70)	(\$22,846)
Net Total Utility Plant	\$6,378,768	\$48,278,633
Taxes Accrued		
Property Tax	\$0	\$0
Sales Tax	\$10,963	\$57,438
Energy Tax		\$75,978
Franchise Tax	\$37,821	\$40,020
FICA Tax		\$7,027
Federal Unemployment Tax		\$786
State Unemployment Tax		\$660
Customer Advances for Construction	\$3,595,020	\$7,122,733
Supplementary Utility Plant Information		
Intangible Plant	\$0	\$550,000
Transmission Plant	\$827,423	\$12,707,489
Distribution Plant	\$2,457,207	\$27,557,367
General Plant	\$165,520	\$13,027,698
Total Utility Plant in Service	\$3,450,150	\$53,842,555
Construction Work In Progress	\$4,050,983	\$13,129,589
Total Utility Plant	\$7,501,133	\$66,972,144
Accumulated Depreciation		
Transmission	\$347,706	\$2,925,154
Distribution	\$757,944	\$9,025,576
General	\$16,645	\$6,472,432
Accumulated Amortization - Franchise	\$0	\$247,503
Retirement Work in Progress	\$70	\$22,846
Net Utility Plant	\$6,378,768	\$48,278,633
Statement of Net Income		
Purchased Power		\$12,623,963
Depreciation & Amortization Expense	\$91,987	\$1,429,185
Property Tax Expense	\$30,760	\$305,843
Preliminary Survey Charges	\$0	\$160

Operating Revenues

Residential Sales	\$1,316,785	\$11,628,062
Commercial Sales	\$483,979	\$4,893,943
Industrial Sales	\$0	\$2,350,045
Public Sales	\$14,137	\$225,383
Irrigation Sales	\$82,206	\$1,455,769
Total Sales	\$1,897,107	\$20,553,202
Other Operating Revenues	\$15,626	\$188,102
Total Operating Revenues	\$1,912,733	\$20,741,304

Statistical Information (average)

Residential Customers	1,857	12,861
Commercial Customers	338	1,547
Industrial Sales	0	2
Public Lighting Customers	5	113
Irrigation Customers	12	199
Total Ultimate Customers	2,212	14,722
Residential kWh Sold	22,017,950	210,967,566
Commercial kWh Sold	7,122,631	92,859,809
Industrial kWh Sold	0	37,168,377
Public Lighting kWh Sold	81,289	1,577,141
Irrigation kWh Sold	1,386,148	30,076,459
Total kWh Sold	30,608,018	372,649,352

Other

Contributions in aid of Construction		
Beginning Balance	\$4,101,287	\$35,584,633
Collected this year	\$74,590	\$1,383,198
Ending Balance	\$4,175,877	\$36,967,831



"The Power of Friendly Service"

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS:

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
DEAN R. BURDICK, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA
BRENT R. HALL, CPA

TODD R. HESS, CPA
KENNETH A. HINTON, CPA
MORRIS J. PEACOCK, CPA
PHILLIP S. PEINE, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA

Independent Auditors' Report

To the Board of Directors
Dixie Escalante Rural Electric Association, Inc.
Beryl, Utah

We have audited the accompanying balance sheets of Dixie Escalante Rural Electric Association, Inc. as of December 31, 2010 and 2009, and the related statements of operations, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dixie Escalante Rural Electric Association, Inc., as of December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER PLLC
March 31, 2011

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

Balance Sheets

December 31, 2010 and 2009

Assets		
	<u>2010</u>	<u>2009</u>
Utility plant - at cost		
Electric plant in service	\$ 53,842,555	\$ 51,464,806
Under construction	13,129,589	9,687,309
Total	<u>66,972,144</u>	<u>61,152,115</u>
Less: Accumulated depreciation and amortization	<u>(18,693,511)</u>	<u>(17,192,640)</u>
Utility plant - net	<u>48,278,633</u>	<u>43,959,475</u>
Other assets and investments		
Investments in CFC and others - at cost	1,249,291	1,210,252
Non-utility property	<u>1,187,147</u>	<u>1,169,693</u>
	<u>2,436,438</u>	<u>2,379,945</u>
Current assets:		
Cash and cash equivalents	1,148,903	2,296,391
Accounts receivable - principally customers		
(less allowance for doubtful accounts		
of \$84,443 in 2009 and \$65,995 in 2010)	1,161,294	1,050,797
Accounts receivable - other	462,755	1,212,103
Notes receivable - related party - due within one year	3,430	3,430
Materials and supplies	4,414,126	5,021,390
Other assets	<u>685,103</u>	<u>26,319</u>
Total current assets	<u>7,875,611</u>	<u>9,610,430</u>
Notes receivable (net of current portion)	1,597,873	1,597,873
Notes receivable - related party (net of current portion)	<u>1,912,405</u>	<u>1,865,180</u>
Total assets	<u><u>\$ 62,100,960</u></u>	<u><u>\$ 59,412,903</u></u>

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Balance Sheets, continued
December 31, 2010 and 2009

Equity and Liabilities		
	<u>2010</u>	<u>2009</u>
Members' equity:		
Memberships	\$ 8,595	\$ 8,595
Patronage capital	9,107,936	8,359,631
Other equity	11,015,762	9,862,216
Total equity and margins	<u>20,132,293</u>	<u>18,230,442</u>
Long-term debt (less amount due within one year included below)	<u>7,765,150</u>	<u>8,294,453</u>
Current liabilities:		
Accounts payable	2,673,463	3,404,219
Customer deposits	369,390	503,076
Accrued expenses	495,845	445,689
Accrued personal leave	592,476	604,200
Long-term debt due within one year	529,350	498,206
Unclaimed capital credits	40,185	47,561
Total current liabilities	<u>4,700,709</u>	<u>5,502,951</u>
Deferred gain from debt restructuring	116,847	136,878
Customer advances for construction	10,717,753	9,185,487
Deferred revenue - impact fees and other	<u>18,668,208</u>	<u>18,062,692</u>
Total equity and liabilities	<u>\$ 62,100,960</u>	<u>\$ 59,412,903</u>

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

Statements of Operations

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues	<u>\$ 20,741,304</u>	<u>\$ 20,501,053</u>
Operating expenses		
Operation and maintenance:		
Power purchased	12,123,785	12,623,963
Transmission	4,861	56,562
Distribution - operation	1,204,210	1,200,314
Distribution - maintenance	809,135	813,211
Consumer accounts	637,136	629,580
Customer service	605,263	339,253
Sales	115,640	90,764
Administrative and general	<u>1,832,671</u>	<u>1,737,684</u>
Total operation and maintenance	17,332,701	17,491,331
Depreciation and amortization	1,487,459	1,429,185
Property taxes	348,698	305,843
Other	<u>4,435</u>	<u>2,121</u>
Total operating expenses	<u>19,173,293</u>	<u>19,228,480</u>
Operating margins before interest charges	1,568,011	1,272,573
Interest charges - principally long-term debt	<u>540,558</u>	<u>573,012</u>
Operating margins	<u>1,027,453</u>	<u>699,561</u>
Non-operating margins		
Interest income	233,435	217,495
Other non-operating income (expense)	832,365	784,932
Patronage capital credits - G&T	24,540	16,360
Patronage capital credits - CFC	<u>63,206</u>	<u>57,582</u>
Total non-operating margins	<u>1,153,546</u>	<u>1,076,369</u>
Net margins	<u><u>\$ 2,180,999</u></u>	<u><u>\$ 1,775,930</u></u>

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Statements of Members' Equity
For the Years Ended December 31, 2010 and 2009

	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Equity</u>	<u>Total</u>
Balances, December 31, 2008	\$ 8,595	\$ 8,062,822	\$ 8,785,847	\$ 16,857,264
2009 Margins:				
Operating		699,561		699,561
Non-operating			1,076,369	1,076,369
Retirement of capital credits		<u>(402,752)</u>		<u>(402,752)</u>
Balances, December 31, 2009	8,595	8,359,631	9,862,216	18,230,442
2010 Margins:				
Operating		1,027,453		1,027,453
Non-operating			1,153,546	1,153,546
Retirement of capital credits		<u>(279,148)</u>		<u>(279,148)</u>
Balances, December 31, 2010	<u>\$ 8,595</u>	<u>\$ 9,107,936</u>	<u>\$ 11,015,762</u>	<u>\$ 20,132,293</u>

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Net margin	\$ 2,180,999	\$ 1,775,930
Adjustments to reconcile net margin to net cash flows from operating activities:		
Depreciation and amortization	1,487,459	1,429,185
Gain on disposal of fixed assets	(33,342)	(15,259)
Accretion of deferred revenue	(822,348)	(774,752)
Accretion of deferred gain on debt restructuring	(20,031)	(20,031)
Changes in assets and liabilities:		
(Increase)/decrease in CFC investment	(39,039)	(624,576)
(Increase)/decrease in accounts receivable	638,851	2,381,740
(Increase)/decrease in materials and supplies	607,264	389,521
(Increase)/decrease in other assets	(6,999)	(3,145)
(Increase)/decrease in notes receivable	(47,225)	(17,018)
Increase/(decrease) in accounts payable	(730,756)	1,245,163
Increase/(decrease) in customer deposits	(133,686)	285,560
Increase/(decrease) in accrued expenses	50,156	37,774
Increase/(decrease) in accrued personal leave	(11,724)	42,780
Increase/(decrease) in unclaimed capital credits	(7,376)	(26,728)
Net cash flows from operating activities	3,112,203	6,106,144
Cash flows from investing activities:		
Purchase/construction of utility plant	(7,228,297)	(5,276,956)
Purchase of non utility plant property	(17,454)	(29,000)
Proceeds from the sale of fixed assets	88,489	62,027
Investments in joint projects	(651,785)	-
Net cash flows from investing activities:	(7,809,047)	(5,243,929)
Cash flows from financing activities:		
Proceeds from new borrowings	-	496,232
Repayment of long-term debt	(498,159)	(3,470,313)
Customer advances of impact fees	1,427,864	868,991
Customer advances for construction	2,976,035	3,104,255
Refund of customer advances	(77,236)	(53,782)
Refund of capital credits	(279,148)	(402,752)
Net cash flows from financing activities:	3,549,356	542,631
Net change in cash and cash equivalents	(1,147,488)	1,404,846
Cash and cash equivalents at beginning of year	2,296,391	891,545
Cash and cash equivalents at end of year	\$ 1,148,903	\$ 2,296,391

Supplemental Schedule of Interest Paid and Non Cash Investing and Financing Activities

Interest paid during the year amounted to \$543,047 and \$565,680 in 2010 and 2009 respectively.

The accompanying notes are an integral part of the financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2010 and 2009

Note 1. Summary of Significant Accounting Policies

ORGANIZATION

Dixie-Escalante Rural Electric Association, Inc. is a non-profit, cooperative association organized January 1, 1978, as a result of a consolidation of Dixie Rural Electric Association and Escalante Valley Electric Association for the purpose of providing electric service to rural areas located in southwestern Utah and northwestern Arizona. Dixie-Escalante Rural Electric Association, Inc. assumed all existing assets and liabilities of the Associations in the transaction which, for accounting purposes, has been recorded as a pooling-of-interests. No additional assets or liabilities were created through the consolidation.

REGULATION

The Association is subject to Federal accounting regulation and, until March 8, 1979, was subject to State rate regulation. Subsequent to March 8, 1979, the Association's rates are determined by the Board of Directors, subject to certain restrictions. The Association's accounting practices and policies are generally consistent with regulatory authorities and the accounting records are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC).

UTILITY PLANT AND DEPRECIATION

Utility plant in service and under construction is stated at original cost less certain contributions received from customers, as described below. Costs include labor, materials, and related indirect costs such as engineering, supervision, transportation, etc. The cost of units of property replaced or renewed plus removal cost, less salvage, is charged to accumulated depreciation. Maintenance and repairs of utility property are charged to operating expenses. The Association provides for depreciation on the straight-line basis for all property over the estimated useful lives of the related assets as follows:

	Annual Depreciation Range
Transmission Plant	2.75%
Distribution Plant	2.87%
General Plant	3yrs. – 50 yrs.

In addition to depreciation shown separately in the statement of operations, depreciation of transportation and certain other equipment, amounting to \$330,829 in 2010 and \$228,290 in 2009 was charged to certain clearing accounts and distributed to operations and construction.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

Notes to the Financial Statements

December 31, 2010 and 2009

Note 1. Summary of Significant Accounting Policies - Continued

REVENUES

Revenues are recognized as customers are billed. The Association does not accrue revenues for energy delivered after the billing date.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, cash in banks and cash temporarily invested in money market accounts.

MATERIALS AND SUPPLIES

Materials and supplies are stated generally at average cost which is not in excess of market.

DEFERRED DEBITS

The Association periodically incurs expense in the development of future electrical facilities. Deferred costs include, principally, engineering and feasibility study expenditures. Such costs will be charged to operations over an estimated recovery period commencing upon completion of the facilities, or when management determines them to be of no future benefit.

CUSTOMER ADVANCES FOR CONSTRUCTION

Customer advances for construction are refundable based upon terms of the line extension policy. Amounts not refunded by the end of the allowable period for refunds are accounted for as contributions in aid of construction, as described below.

CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction include non-refundable amounts advanced by customers for construction. As jobs are completed, such amounts are accounted for as a reduction in the cost of the electric plant in service.

ADVERTISING COSTS

The Association incurred advertising costs related to nondirect-response advertising. These costs are expensed the first time the advertising takes place. Advertising costs expensed for 2010 and 2009 were \$267,011 and \$212,327 respectively.

ALLOCATION OF MARGINS

In accordance with the Association's bylaws, operating margins are allocated to the patrons of the Association in proportion to their patronage. Non-operating margins are used to reduce prior years' losses and thereafter, may be allocated to patrons at the discretion of the Association's Board of Directors.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
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Note 1. Summary of Significant Accounting Policies - Continued

TAXES ON INCOME

No amounts have been paid or accrued for income taxes as the Association is a nonprofit organization exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code.

ESTIMATES

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates, and there is a reasonable possibility that estimates might change within the near term. The more significant estimates used by management in the preparation of the accompanying financial statements include the estimated useful lives of property, plant and equipment and the estimate used to calculate the allowance for doubtful accounts. In the opinion of management the allowance for doubtful accounts is sufficient to cover any accounts or notes receivable that may be uncollectible based on historic percentages and known circumstances.

DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 31, 2011, the date the financial statements were available to be issued.

Note 2. Utility Plant

Utility plant in service is summarized by major classification as follows:

	Balance at 12/31/10	Balance at 12/31/09
Transmission plant	\$ 12,707,490	\$ 12,459,249
Distribution plant	27,557,367	26,521,254
General plant	13,027,698	11,934,303
Intangible plant	550,000	550,000
Under construction	13,129,589	9,687,309
Subtotal	66,972,144	61,152,115
Accumulated depreciation and amortization	(18,693,511)	(17,192,640)
Net utility plant assets	<u>\$ 48,278,633</u>	<u>\$ 43,959,475</u>

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
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Note 3. Cash

At various times throughout the years ended December 31, 2010 and 2009, cash balances in bank accounts exceeded the amount insured by the FDIC and/or NCUA. As of December 31, 2010 and 2009, \$364,492 and \$2,001,735 of the bank balance of \$1,697,430 and \$2,506,760 was uninsured and uncollateralized.

Note 4. Investments in Associated Organizations

To join NRUCFC and establish eligibility to borrow, the Association has executed an irrevocable agreement to subscribe for subscription certificates and loan certificates. The subscription certificates mature in 2070, 2075, and 2080, and bear interest at 3% for the first fifteen years, 4% for the next seven years and 5% thereafter. The loan certificates mature and will be returned when the loans are paid off.

Investments in associated organizations consist of the following:

	<u>2010</u>	<u>2009</u>
NRTC membership	\$ 1,000	\$ 1,000
CRC		
Class A membership	2,500	-
Class A equity investment	10,000	-
NRUCFC		
NRUCFC subscription certificates	138,525	138,525
NRUCFC loan certificates	199,876	201,164
CFC patronage capital certificates	296,130	268,303
CFC member capital securities	600,000	600,000
Class A membership	1,260	1,260
	<u>\$ 1,249,291</u>	<u>\$ 1,210,252</u>

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
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Note 5. Notes Receivable

As an incentive to encourage additional electrical use within its service area and in cooperation with other entities serving the same customers, the Association advanced monies to certain entities as loan assistance to help with new construction. It is the policy of the Association to continue the accrual of interest on all notes and to collect such interest through the sale of the associated collateral, if necessary. It is management's policy to write off trade and notes receivable when all efforts to collect have been exhausted. There were not any notes that were past due as of December 31, 2010 or 2009. The notes are secured by first trust deeds and their repayment terms are as follows:

	<u>2010</u>	<u>2009</u>
Note receivable from Ft Pierce Industrial Park, with variable interest (4.25% at December 31, 2009) due quarterly beginning April 1, 2000, principal due from each lot sale at 12% of net proceeds from lot sales	\$ 1,597,873	\$ 1,597,873
Amount due within one year	<u>-</u>	<u>-</u>
Notes receivable, net of current portion	<u><u>\$ 1,597,873</u></u>	<u><u>\$ 1,597,873</u></u>

Note 6. Deferred Revenue -- Impact Fees

Since 1998 the Association has charged an impact fee for new hookups to offset some of the cost of improving the system to accommodate growth in the service area. The monies are to be used to offset the cost of new system construction or improvement. The Association records the impact fees as deferred revenues as they are collected and then recognizes them as nonoperating revenue over a period of 30 years, which approximates the estimated life of the plant constructed. The revenue recognized for the years ended December 31, 2010 and 2009 was \$822,348 and \$774,752 respectively.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

Notes to the Financial Statements

December 31, 2010 and 2009

Note 7. Long-Term Debt

The following is a summary of long term debt activity for 2010:

	<u>Balance</u> <u>12/31/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2010</u>	<u>Current</u> <u>Portion</u>
NRUCFC loans payable	\$ 8,792,659	\$ -	\$ 498,159	\$ 8,294,500	\$ 529,350
Total long-term debt	<u>\$ 8,792,659</u>	<u>\$ -</u>	<u>\$ 498,159</u>	<u>\$ 8,294,500</u>	<u>\$ 529,350</u>

The following is a summary of long term debt activity for 2009:

	<u>Balance</u> <u>12/31/2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2009</u>	<u>Current</u> <u>Portion</u>
NRUCFC loans payable	\$ 8,751,740	\$ 496,232	\$ 455,313	\$ 8,792,659	\$ 498,206
NRUCFC subordinate certificates payable	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>
Total long-term debt	<u>\$ 8,766,740</u>	<u>\$ 496,232</u>	<u>\$ 470,313</u>	<u>\$ 8,792,659</u>	<u>\$ 498,206</u>

Based on the borrowing rates currently available to the Association for loans with similar terms and average maturities, the stated amount of long-term debt at December 31, 2010 and at December 31, 2009 closely approximated current fair value.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2010 and 2009

Note 7. Long-Term Debt - Continued

Long-term debt consists of the following:

	<u>2010</u>	<u>2009</u>
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing December 1, 2014.	\$ 170,309	\$ 206,730
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing August 31, 2016.	974,662	1,111,691
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing February 28, 2018.	230,411	254,869
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing February 28, 2018.	204,810	226,550
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.25%, maturing May 31, 2035.	925,099	940,684
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.90%, maturing November 30, 2021.	506,007	537,829
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.90%, maturing November 30, 2022.	1,443,092	1,523,618
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.00%, maturing November 30, 2023.	1,535,136	1,611,066
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 7.25%, maturing May 31, 2027.	916,050	943,998
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 7.25%, maturing May 31, 2027.	916,050	943,998
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 3.2%, maturing February 28, 2029.	<u>472,874</u>	<u>491,626</u>
Total long term debt	8,294,500	8,792,659
Less amounts due within one year	<u>(529,350)</u>	<u>(498,206)</u>
Long term debt, net of current portion	<u><u>\$ 7,765,150</u></u>	<u><u>\$ 8,294,453</u></u>

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

Notes to the Financial Statements

December 31, 2010 and 2009

Note 7. Long-Term Debt - Continued

Under the terms of the mortgage, all assets of the Association are pledged as security. In addition, the mortgage provides, among other things, for the maintenance of certain financial ratios, restrictions related to expanding, refunding patronage capital, incurring indebtedness, making investments, and merging.

On October 16, 1996, Deseret Generation and Transmission (Deseret) and each of the six members of Deseret including Dixie Escalante Rural Electric Association, Inc. entered into a major debt restructuring.

The following is a summary of the debt restructuring:

Each Member of Deseret retired its individual RUS debt at approximately a 10% discount. The money required to retire the RUS debt was borrowed by the Members from CFC. Dixie Escalante's RUS debt bore interest at 2% and 5% per annum. The new debt to CFC bears interest at rates between 2.8% and 3.6% per annum. Dixie Escalante Rural Electric Association, Inc. realized a \$400,618 gain on the restructuring. In accordance with generally accepted accounting principles, this gain is being recognized over 20 years (the life of the new debt). During 2010, \$20,031 was recognized as revenue, leaving a balance of \$116,847 of deferred gain at December 31, 2010. During 2009, \$20,031 was recognized as revenue, leaving a balance of \$136,878 of deferred gain at December 31, 2009.

As of December 31, 2010 and 2009, the Association maintained a \$5,000,000 perpetual line of credit with NRUCFC. The line of credit bears interest at the prime rate plus 1%, which was 4.25% at December 31, 2010 and 2009 respectively. The line of credit renews each year unless either party terminates the agreement by providing written notice. There was no outstanding balance on this line of credit at December 31, 2010 and 2009.

Maturities of long term debt are as follows:

Year Ended	2010		2009	
	Principal	Interest	Principal	Interest
2009	\$ -	\$ -	\$ 498,206	\$ 530,018
2010	529,350	498,874	529,350	498,874
2011	562,467	465,758	562,467	465,758
2012	597,682	430,542	597,682	430,542
2013	635,131	393,091	635,131	393,091
2014	625,417	354,404	625,417	354,404
Thereafter	5,344,453	1,999,024	5,344,406	1,999,025
Totals	<u>\$ 8,294,500</u>	<u>\$ 4,141,693</u>	<u>\$ 8,792,659</u>	<u>\$ 4,671,712</u>

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

Notes to the Financial Statements

December 31, 2010 and 2009

Note 8. Deferred Credits

Deferred credits consist of the following:

	2010	2009
Deferred gain from debt restructuring	\$ 116,847	\$ 136,878
Customer advances for construction	10,717,753	9,185,487
Deferred revenue - impact fees and other	18,668,208	18,062,692
	<u>\$ 29,502,808</u>	<u>\$ 27,385,057</u>

Note 9. Members' Equity

Beginning January 1, 1978, the Association discontinued a policy requiring payment of initial membership fees. Under current policy, no membership fees are required and members are admitted subject to approval of the board of directors. During 2000, the board approved an early retirement of capital credits allocated to members from 1978 to 1987. The Association refunded the capital credits, at a discount, to members who desired to participate in the early retirement. During 2000, the board also approved a refund of capital credits assigned to the remaining patron accounts for 1978 and 1979. The past policy adopted by the board was to refund such credits after the twentieth year if deemed economically feasible. In 2000, the board adopted a policy to refund capital credits based on a percentage of all equities method and then fully refund any amount remaining after the thirtieth year. A refund percentage is determined each year by the board of directors. During 2010, a refund of 100 percent of the balance of 1987-1988 capital credits and 3 percent of the remaining 1989-2009 capital credits was made. The total capital credit refund amounted to \$282,951. During 2009, a refund of 100 percent of the balance of 1986 capital credits and 5 percent of the remaining 1987-2008 capital credits was made. The total capital credit refund amounted to \$402,752.

Note 10. Employee Benefits

Pension benefits for all employees of the Association with one year of service who have attained age 21 are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Defined Benefit Pension Plan. During 2010 and 2009 contributions of \$719,333 and \$566,559 respectively, were made to the plan. In addition to the Retirement Plan, the Association contributed \$83,490 and \$83,784 to savings plans in 2010 and 2009 respectively. Employee contributions to these savings programs amounted to \$210,168 in 2010 and \$222,881 in 2009. Dixie-Escalante Rural Electric Association, Inc. has no liability for future benefits beyond the amount contributed.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

Notes to the Financial Statements

December 31, 2010 and 2009

Note 11. Compensated Absences

In accordance with the personal leave policy, each full time employee earns 168 hours of personal leave the first year of employment, 264 hours during the second year with an 8 hour increase for each year thereafter to a maximum of 344 hours annually. The maximum accrued hours that may accumulate in any one employee's account by year end is 800. In May and November of each year, employees may request payment of 75% of their current wage for up to one third of the accumulated hours in their account. The liability for accrued personal leave amounted to \$592,476 and \$604,200 at December 31, 2010 and 2009 respectively.

Note 12. Related Parties

In September of 2005, the Board of Directors approved the creation of Red Rock Funding, LLC, as a wholly owned subsidiary of the Association, to administer the Employee Loan Program. The Association makes advances of funds to Red Rock Funding, LLC as necessary for the administration of the Employee Loan Program. Participants in the Employee Loan Program may borrow up to \$40,000 from Red Rock Funding, LLC for assistance in purchasing housing. The loans are secured by the property purchased. Principal and interest are paid annually through the administration of the Employee Housing Compensation Benefit. As of December 31, 2010 and 2009 amounts due to the Association from Red Rock Funding, LLC for such loans totaled \$1,915,835 and \$1,868,610 respectively. In December of 2009, the Association discontinued the Employee Loan Program and the Employee Housing Compensation Benefit for all future employees.

Note 13. Commitments and Contingencies

Power Purchases

The Association has signed a contract to purchase power from the Western Area Power Administration which is a Colorado River Storage (CRSP) allocation. Monthly power needs in excess of this allocation are purchased from Deseret G&T. The Association is committed to purchase power from Deseret G&T in excess of its CRSP allocation. Additional power beyond that provided by these two sources would be purchased under a contract with the Intermountain Power Project. This contract, termed a lay off contract, provides that power not needed or used by the Association will be allocated to the City of Los Angeles, but made available to the Association as needed.

During the year ended December 31, 2000, Dixie-Escalante Rural Electric Association, Inc. signed a new agreement with the Bureau of Reclamation concerning the hydroelectric power from the Colorado River Storage Project (CRSP) which at present is a low cost source of power available to municipalities and cooperatives having long term contracts with CRSP. The agreement is a new fifteen year agreement that began in the year 2004.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.

Notes to the Financial Statements

December 31, 2010 and 2009

Note 13. Commitments and Contingencies - Continued

Dixie Escalante Rural Electric Association is one of six member/owners of Deseret Generation and Transmission, a Utah generating and transmitting electrical co-operative. Deseret G&T owns and operates the Bonanza power plant in eastern Utah. The Association has signed an all requirements wholesale power purchase contract with Deseret which is in force until 2025.

Flowell Electric Association

Effective January 1, 1999, all but the manager of Flowell Electric, consisting of seven employees, became employees of Dixie Escalante, and Flowell's inventory and other general fixed assets were transferred to Dixie Escalante. Dixie Escalante agreed to provide Flowell Electric with customer billing and plant maintenance services and Flowell will be paid annually to maintain relations with the various communities for which Dixie Escalante is providing plant maintenance services. During 2010 and 2009 Flowell was paid \$30,000 and \$40,000 for these services. Under the agreement, Flowell will provide a shop and yard for the Dixie Escalante equipment and inventory. Flowell is being treated by Dixie Escalante as a contract customer.

St. George City – Solar Project

In October of 2008, the Association entered into a solar project participation agreement with the City of St. George, Utah. Under the agreement, the City of St. George agreed to construct and operate a solar photovoltaic project. The Association would participate and permit its members who reside within the city limits of St. George to purchase participating units of the solar project from St. George.

The Association's participation percentage in the project was 50 percent, meaning that The Association would reimburse the City of St. George, either through cash payment or labor credits, for 50 percent of all costs associated with the construction, operation, and maintenance of the project. In return, the Association will receive an "energy entitlement" equal to its participation percentage for all completed phases of the project times the net output of the project minus the aggregate credited energy of all Dixie Escalante customers participating in the project.

As of December 31, 2010 phases 1 and 2 of the project were complete and placed into service. Due to the nature of the project, management determined that the capital costs associated with the project should be recorded as "other assets" in the financial statements and amortized over the estimated life of the project (20 years). The Association's share of all costs for the construction of the project minus any shares sold to customers and net of accumulated amortization totaled \$651,785 at December 31, 2010. Operating and maintenance costs will be expensed as incurred.

Pending Litigation

The Association is a defendant in a lawsuit arising from an incident that occurred in 2002. Management, with concurrence of Cooperative's outside legal counsel, is of the opinion that settlement of this lawsuit will not have a material effect on the financial position of the Association. Therefore, no specific provision has been reflected in the accompanying basic financial statements.

DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.
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Note 14. Recognition of Capital Credits from Deseret G&T

During 1999 the board of directors adopted the policy of only recognizing capital credits from Deseret Generation and Transmission when the credits are actually paid. Deseret has no obligation to rotate capital credits and even though capital credits are being allocated by Deseret to its members there is no present expectation that all of those credits will be rotated by payments to the members.

During 2010 and 2009, Deseret Generation and Transmission rotated and paid the Association the following capital credits and has informed the management of the following tax basis allocations of the remaining capital credits which may someday be retired.

Year	Balance 1/1/2009	2009 - 2010 Rotation	Balance 12/31/2009
1983	\$ 16,296	-	16,296
1984	133,474	-	133,474
1985	-	-	-
1986	86,351	-	86,351
1997	624,852	-	624,852
1998	228,528	40,900	187,628
1999 - 2010	-	-	-
Total	<u>\$ 1,089,501</u>	<u>\$ 40,900</u>	<u>\$ 1,048,601</u>

Rotation of capital credits recognized as revenues in 2010 and 2009 totaled \$24,540 and \$16,360 respectively